



## Office of the Mayor

### The City of Harrisburg

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#### FOREWORD

The City of Harrisburg (City) has become an example of urban resurgence at a time when many of America's cities continue to undergo further decline and serious economic stress. Harrisburg's renewal has been multi-faceted, touching virtually every area of city governmental and community endeavor.

Listed as the second most distressed city in the nation in 1981 under federal distress criteria, Harrisburg launched, in 1982, a major change in course based on three priority pursuits: reform of city government, development of non-tax revenue sources, and aggressive economic development. These remain this City's priorities.

The resultant success of these efforts is, in part, reflected by the various national and state recognitions Harrisburg has received from independent private-sector, professional, civic, and governmental bodies.

In the past sixteen years, Harrisburg has each year attained the highest national award for governmental accounting and financial reporting, the Certificate of Achievement for Excellence in Financial Reporting. The City has also won the highest national award for budgeting, the Distinguished Budget Presentation Award, for the past thirteen consecutive years. Today, only three of the 2,638 Pennsylvania municipalities can claim the distinction of presently holding both recognitions.

In city governmental management, the City has become a nationally recognized leader in insurance and risk management and in the application of advanced technology to expand and create more efficient municipal services. The City's program to control health care costs has been cited as a pioneer example by hospital associations and has been recognized with the State Achievement Award from the Hospital Association of Pennsylvania.

Harrisburg's Police Bureau has attained and retained National Police Accreditation, the highest recognition in law enforcement. Of over 21,000 police agencies nationwide, less than 600 hold national accreditation. In July 2003, Harrisburg also obtained Pennsylvania Law Enforcement Accreditation and is one of only seven agencies to have the distinction of holding dual accreditation. Additionally, the City today has the second lowest ratio of police officers to resident population of any community in Pennsylvania – one officer for every 290 residents. Officers now have the benefit of the largest police vehicle fleet ever operated by Harrisburg, and innovations, such as Community Policing Centers, bicycle patrols, crime prevention programs, mounted patrols, canine corps, and the new field computer and computer-aided-dispatching systems, have considerably increased police field capabilities and effectiveness.

The City has become the first fire service in Pennsylvania to establish a certified multi-level firefighter apprenticeship-training program.

In the period of 1981 through 2003, the City's Part I crime rate has dropped 56.5%. In the period of 1982 through 2003, the City's fire rate has dropped 76.3%.

The extensive parks improvement program undertaken by the City, resulting in the creation of expanded and new recreational facilities of regional benefit, has garnered Tree City U.S.A. designation for the past sixteen consecutive years. The City of Harrisburg is the first community in the region to achieve the award this often. The State Department of Environmental Protection conferred on Harrisburg the Samuel S. Cobb Award of Excellence, the state's highest award for urban forestry and conservation. The City's park sites and special events attracted over 2.3 million attendees in 2003. Further, amongst the City's environmental policies, the Executive Order banning the use of tropical rainforest woods in any City-related project is now being used as a worldwide model of municipal action.

The City's Advanced Wastewater Treatment Facility operated by the City and serving seven municipalities, was selected for the nation's highest water pollution control award when it received the First Place National Pretreatment Award from the U.S. Environmental Protection Agency.

Harrisburg, through the issuance of self-liquidating revenue bonds, has built and today operates various revenue-producing facilities, involving generation of steam and electricity from the incineration of municipal solid waste and the generation of electricity from the burning of methane gas. Processing innovations have allowed the City-operated Advanced Wastewater Treatment Facility to contract for the processing and disposal of raw sludge from other plants. The City is today less reliant upon real estate and other taxes to sustain its operations. In fact, only 17.1% of the total 2003 Budget was funded by taxes.

Harrisburg is one of only two communities in Pennsylvania to receive three upgrades from the Federal Emergency Management Agency's Flood Insurance Administration. These upgrades have occurred as a result of the City's ongoing flood plain management and emergency management programs, producing a total 15% reduction in flood insurance premiums annually for all City property owners. Harrisburg places in the top twenty-five percent of communities in the nation in its rating.

Since 1982, over \$3.4 billion in new investment has occurred in Harrisburg with over two-thirds of that total having been developed since 1991. Net gains in the number of businesses, livable homes and private-sector jobs have reversed nearly three decades of previous decline. The unemployment and vacant property rates have dropped in the same time period. Property values have appreciated significantly overall in the 1982-2003 period, from \$212 million in 1982 to \$1.7 billion in 2003, marking the first increases in thirty years. The City's resident workforce has grown in the past twenty years and, in addition to a 38% reduction in unemployment, there are approximately 1,700 more City residents now employed full-time both within and outside the City.

The number of businesses on the City's business and mercantile tax rolls, which was 1,908 in 1981, is now 6,951, the highest number ever recorded.

In 2003, the City issued a total of 1,748 building permits representing more than \$351 million in new investment. This was the highest level of new investment in any year in City history.

The U.S. Conference of Mayors selected Harrisburg as one of eight Profile Cities in the nation as an example of successful economic development, a designation which included focus on success in minority contracting and the start-up and expansion of minority-owned business enterprise (MBE). Harrisburg's total expenditures involving MBE's are greater than those of any other community in the state.

Harrisburg is third only to Philadelphia and Pittsburgh, cities considerably larger, in the amount of certified historic rehabilitation in Pennsylvania. The restoration of existing structures is a key part of the City's economic development and historic preservation programming that is essential for older, more densely developed cities and towns. Seven areas of the City have been designated national historic districts, allowing investment protection, design standards, and investment tax credits for the rehabilitation of income-producing structures. Additionally, another area of the City is now a Conservation Overlay District, which has most of the standards of the historic districts.

Harrisburg's recent progress and its planning for the future were the basis for the City being named one of the few municipalities in the nation, among stiff competition involving over 500 communities, as a Federal Enterprise Community by the President of the United States. This ten-year designation infuses at least \$31 million in non-city public funds into the large area of the City encompassed within the Enterprise Community boundary and gives the City priority and preferential treatment in seeking various

federal and state funds. The designation also allows the City to secure waivers of various federal rules, as well as special treatment and exemptions under the U.S. Tax Code for economic development projects.

The City's economic development policies and programs provide a range of investment incentives and include first-of-a-kind types of project financing. Harrisburg, for example, was the first in the nation to issue Mortgage Tax Credit Certificates, which provide eligible home buyers an annual return of up to 50% of the interest paid on the mortgage each year, for the life of the mortgage, with the remaining interest payments staying federally tax deductible. The City operates the only Vacant Property Reinvestment Program in the state through which structurally sound but blighted properties owned by absentee owners are seized for restoration and resale to responsible, new buyers. Harrisburg devised and is today conducting the first lease-to-own home buying program in the state for newly built townhouses, offering reduced closing cost assistance and applying rental payments toward the homebuyer's down payment.

The summation of results from the City's work in the past twenty-two years is the following:

- the city's tax base has expanded to its highest level ever
- the unemployment rate amongst city residents is at its lowest in over three decades, with a 25% increase in the number of city residents employed
- the crime rate has dropped to its lowest level in over 31 years
- the fire rate has declined to its lowest number since citywide records have been maintained
- the number of businesses on the tax rolls is at its highest number ever and more than triple the number that existed in 1981
- the occupancy rate for Class A and Class B+ office space is the best in at least 30 years
- the number of vacant structures has declined to its lowest number since before the 1972 Agnes Flood

The federal policies and social practices which have made American cities the nation's depository for society's unwanted and unresolved socio-economic problems continue to present all cities with significant challenges and burdens not shared by their suburban neighbors. Exacerbating this circumstance for Harrisburg is the presence of extensive tax-exempt holdings of the state government and others, whose presence creates significant demand and use for municipal services paid for by others' taxes. Still, the progress of recent days in Harrisburg has created a firm foundation on which future progress will be achieved.

The City looks to the future with far greater optimism and hope than how it entered the 1980's, when this city was afraid of its own future.

With increased spirit, vitality and vision, the City of Harrisburg is pleased to offer this 2003 Comprehensive Annual Financial Report for your information.

With warmest personal regards, I am

Yours sincerely,



Stephen R. Reed

Mayor